

State of California

Franchise Tax Board-Legislative Services Bureau
PO Box 1468
Sacramento, CA 95812-1468

Telephone: (916) 845-4326
ATSS: 468-4326
FAX: (916) 845-5472

Legislative Change No.

04-21

Bill Number: AB 1859

Author: Nakano

Chapter Number: 04-416

Laws Affecting Franchise Tax Board: Corporations Code Section 17350.5

Revenue and Taxation Code Sections 17941 and 17945

Date Filed with the Secretary of the State: September 9, 2004

SUBJECT: Limited Liability Companies/Certificate of Cancellation

Assembly Bill 1859 (Nakano), as enacted on September 9, 2004, made the following changes to California law:

Section 17350.5 of the Corporations Code is added.

This act allows the managers or members of a domestic limited liability company (LLC) that has not yet conducted business to cancel the existence of the domestic LLC by executing a certificate of cancellation. The certificate of cancellation is required to include a statement that contains the following information:

- ◆ The certificate of cancellation is being filed within 12 months of the filing of the articles of organization,
- ◆ The LLC has no debts or liabilities, except those described as tax liabilities,
- ◆ The "tax liability" of the canceling LLC will either be paid or be assumed by another business entity or individual,
- ◆ A final tax return has been filed with FTB,
- ◆ The LLC has not conducted any business since organizing,
- ◆ Any net assets of the LLC have been distributed to the entitled persons, if any,
- ◆ The cancellation is authorized by a majority of the managers or members, or the person or majority of persons that signed the articles of organization, and
- ◆ If the LLC has received payments for interests, those payments have been returned to investors.

Section 17941 of the Revenue and Taxation Code is amended.

This act exempts a domestic LLC qualifying to do business in this state on or after January 1, 2004, that meets the requirements of Corporations Code Section 17350.5 discussed above from annual tax for its first taxable year.

Bureau Director

Jana Howard for Brian Putler

Date

10/14/04

This act also specifies that an LLC is not authorized to receive a reimbursement for any minimum franchise tax that has already been paid to the Franchise Tax Board.

This amendment applies to taxable years beginning on or after January 1, 2005.

Section 17945 of the Revenue and Taxation Code is amended.

This act exempts an LLC from the tax clearance certificate requirement if it meets the qualifications in the Corporations Code discussed above.

This act is effective January 1, 2005, and operative for domestic LLCs that filed articles of organization on or after January 1, 2004.

This act will not require any reports by the department to the Legislature.